

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION JOINT MEETING COMMITTEE ON FINANCE HOUSE APPROPRIATIONS COMMITTEE**

**Call to Order:** By **CHAIRMAN BOB KEENAN**, on January 4, 2001 at 8:00 A.M., in Room 102 Capitol.

#### **ROLL CALL**

##### **Members Present:**

Sen. Bob Keenan, Chairman (R)  
Sen. John Cobb (R)  
Sen. William Crismore (R)  
Sen. Greg Jergeson (D)  
Sen. Royal Johnson (R)  
Sen. Bea McCarthy (D)  
Sen. Arnie Mohl (R)  
Sen. Linda Nelson (D)  
Sen. Debbie Shea (D)  
Sen. Corey Stapleton (R)  
Sen. Bill Tash (R)  
Sen. Jon Tester (D)  
Sen. Mignon Waterman (D)  
Sen. Jack Wells (R)  
Sen. Tom Zook (R)

**Members Excused:** Sen. Tom A. Beck (R)

**Members Absent:** Sen. Chris Christiaens (D)

##### **Members Present:**

Rep. Steve Vick, Chairman  
Rep. Dave Lewis  
Rep. Matt McCann  
Rep. John Brueggeman  
Rep. Rosie Buzzas  
Rep. Tim Callahan  
Rep. Edith Clark  
Rep. Bob Davies  
Rep. Stan Fisher  
Rep. Dick Haines  
Rep. Joey Jayne  
Rep. Dave Kasten

Rep. Christine Kaufmann  
Rep. Monica Lindeen  
Rep. Jeff Pattison  
Rep. Art Peterson  
Rep. Joe Tropila  
Rep. John Witt

**Members Excused:** None.

**Members Absent:**

**Staff Present:** Prudence Gildroy, Committee Secretary  
Jon Moe, Legislative Fiscal Division

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted:  
Executive Action: HB2

**Tape 1 - Side A** (Please note that the quality of the tapes were affected by the fact that the public address system was not operating during the meeting.)

Committee instructions and orientation were presented by **CHAIRMAN BOB KEENAN** and **CHAIRMAN STEVE VICK**.

**APPROPRIATIONS PROCESS ORIENTATION: How to Make HB 2 Implement Public Policy as Determined by the Legislature.**

**EXHIBIT** (fcs02a01)

**EXHIBIT** (fcs02a02)

**EXHIBIT** (fcs02a03)

Training was conducted by Taryn Purdy, LFD.

**SEN. COREY STAPLETON** asked about vacancy savings and how it is applied (explain global application). He wondered about how different rates of vacancies of different agencies could be dealt with. **Taryn Purdy** explained that there is nothing stopping the legislature from applying vacancy savings how they want. They may start out and apply a 3 or 4% rate globally and then exempt as needed or apply a higher percentage as needed. She deferred to the Chair for direction.

**CHAIRMAN KEENAN** stated that a lot of the decisions that were being made today could be made by himself and **CHAIRMAN VICK** but that it is part of the process to include everybody. He asked if agencies with twenty or fewer employees were traditionally exempt from vacancy savings. If a global rate is set, subcommittees individually with a positive vote could change that target. **SEN.**

**VICK** stated that there would be agencies that would claim why that causes them difficulties and will rarely volunteer if they could handle more than that. The issue will be discussed in subcommittee agency by agency, but it is applied globally and has been for years. **Taryn Purdy** then continued and concluded her presentation. **CHAIRMAN VICK** stated that there would be another joint meeting the following week. Participants were advised to write down and ask any other questions at that time. **CHAIRMAN KEENAN** announced that **Rod Sundsted** of the University System would talk about the energy crisis facing the system during the inflation portion of **Clayton Schenck's** presentation.

**GLOBAL FISCAL ISSUES: LFC Recommendations to the 2001 Legislature**  
**EXHIBIT (fcs02a04)**

**CHAIRMAN KEENAN** stated that the global issues that will be dealt with in the meeting enable the start of sub-committee work and enables the **LFD** to give numbers for a starting point. All of the actions taken can be adjusted and changed in subcommittee.

**Clayton Schenck, LFC**, presented the global fiscal issues-the recommendations by the **LFC** to the 2001 Legislature. The purpose was to provide a means for making certain decisions on global budget issues common to all appropriations subcommittees that, for purposes of equity and clarity, should be universally applied to all agencies. In the 1997 session the Legislature passed a bill requiring that the **LFC** prepare recommendations to the House Appropriations Committee and the Senate Finance and Claims Committee on the application of certain budget issues. The recommendations do not have to be followed. The categories of recommendations are: where consistency of action might be deemed desirable, such as the application of vacancy savings and inflation rates; decisions where required payments are established by previous legislatures such as legislatively authorized pay plan levels; and where the budgets of the agencies are driven by budgets established centrally, such as fixed costs of the internal rates that are charged to the agencies.

**Mr. Schenck** then presented the **LFC** recommendations.

**1. Starting budget base for subcommittee deliberations**

**EXHIBIT (fcs02a05)**

The recommendation was that "subcommittees shall be directed to begin executive action by adopting the base budget, and amending the budget from the base. Present law budget requests will then require an amendment to be added to the budget recommendation, as shall any adjustments to the base."

**CHAIRMAN KEENAN** stated that each recommendation would be considered individually and would be voted on individually. He asked if there were any questions.

**EXECUTIVE ACTION ON LEGISLATIVE FINANCE COMMITTEE RECOMMENDATIONS**

**Motion:** SEN. JOHNSON MOVED TO ACCEPT ITEM #1 OF THE LFC RECOMMENDATIONS.

**CHAIRMAN KEENAN** asked for discussion. There being no discussion **CHAIRMAN KEENAN** then asked for a voice vote. **REP. JOEY JAYNE** asked a question regarding the advantage of a base budget versus an alternative. **Mr. Schenck** then explained why former legislatures had voted to start from a base budget.

**Vote:** MOTION TO ACCEPT ITEM #1 OF THE LFC RECOMMENDATIONS. BE ADOPTED passed unanimously.

**Mr. Schenck** then addressed the second issue.

**2. Statewide Present Law Adjustments**

Statewide Present Law Adjustments are in regard to such things as vacancy savings, adjustment to personal services and fixed costs, and inflation.

**Exhibit(5)**

**Mr. Schenck** pointed out the table on Present Law Adjustments on page A-34 of the Executive Office Program. The recommendation of the **LFC** was to adopt the statewide present law adjustments as part of the base budget. **Mr. Schenck** suggested amending the previous motion to adopt the statewide present law adjustments. **SEN. WATERMAN** asked **Mr. Schenck** to confirm that this would only be adopting the four statewide adjustments. **Mr. Schenck** stated that was correct and that anything in a decision package would be dealt with individually beyond there. **SEN WATERMAN** asked if those would be present law adjustments, but not statewide present law adjustments. **Mr. Schenck** stated that was correct. **SEN. JOHNSON** asked if this would eliminate the opportunity to change the global adjustments. **Mr. Schenck** said that they would be adopted until such time as that is dealt with by another committee. **SEN. JOHNSON** asked what the concern was. **Mr. Schenck** said that there is no base to vote individually on them otherwise. **SEN. JOHN COBB** asked for further clarification on adoption.

***{Tape : 2; Side : A; Approx. Time Counter : 469}***

**Mr. Shenck** provided clarification. **SEN. COBB, SEN. ZOOK, SEN. ZOOK,** and **SEN. STAPLETON** had further questions answered by **Mr. Schenck**.

**Motion/Vote:** SEN. ZOOK moved TO ADOPT THE STATEWIDE PRESENT LAW ADJUSTMENTS. A voice vote was held and the motion passed with SEN. JOHNSON and SEN. COBB voting against.

### **3. Quantification of FTE Reductions**

The question brought before the committee was how should monetary adjustments be calculated when FTE are added or eliminated. The recommendation was to "specify the FTE to be removed, and allow the legislative budgeting system to calculate the total reduction in funding for those FTE."

**Motion/Vote:** SEN. WATERMAN moved TO ADOPT RECOMMENDATION #3.

A voice vote was taken and the motion was adopted unanimously.

### **4. Vacancy Savings**

The recommendation of the LFC was that the "full appropriations committees shall adopt a global recommended level of personal services reductions (vacancy savings). Subcommittees will be requested to adopt the recommended level as part of their budget recommendation." The recommendation is to adopt the global rate. If it is decided to adopt the global rate, the next action would be to set the rate.

SEN. KEENAN recognized SEN. COBB who asked about using the global rate exempting certain agencies. Mr. Schenck stated that by adopting what is recommended, the underlying policies will be adopted but there will be leeway in doing that.

SEN. KEENAN recognized SEN. COREY STAPLETON who had a concern that the recommendation for a global rate would give less precise oversight. Mr. Schenck said that is the issue to be decided. It is less precise, but consistent. There are safety valves for agencies in the governor's budget that can't achieve the vacancy savings level. The governor's office would administer taking care of those agencies. SEN. STAPLETON asked if the oversight would be ceded to the executive branch. Mr. Schenck said that was correct.

SEN. KEENAN recognized REP. MATT McCANN. He stated that he would approach the issue by setting a minimum standard and giving the subcommittee the option to make changes.

Mr. Schenck explained that what was put in boilerplate last session in HB 2 was the requirement that personal services could not be moved down and used for operating costs or benefits, equipment, or anything else.

**Motion:** REP. VICK moved TO ACCEPT A GLOBAL VACANCY SAVINGS RATE.

He addressed SEN. STAPLETON's concerns stating why he felt the recommendation should be adopted.

**{Tape : 2; Side : B; Approx. Time Counter : 734}**

**SEN. KEENAN** recognized **SEN. MIGNON WATERMAN**. She explained why it would be easier to adopt it now than in subcommittee.

**{Tape : 2; Side : B; Approx. Time Counter : 759}**

**REP. VICK** clarified that there was no number involved in the motion.

**Vote:** Motion carried 18-1 with Stapleton voting no.

**Mr. Schenck** then asked the body to consider the level of the vacancy savings rate. The **Racicot** budget rate was 3% and the **Martz** rate would be an increase to 4%. **SEN. KEENAN** asked for questions. **SEN. WATERMAN** asked if adopting would be adopting the underlying assumptions or would voting on the underlying assumptions be done separately. **Mr. Schenck** recommended wording the motion to reflect adopting the underlying assumptions. **SEN. WATERMAN** wondered if the contingency fund would be considered part of those assumptions. **Mr. Schenck** said that the contingency fund was a separate item and would be considered by the general government subcommittee as part of that agency and would not be part of the motion. **SEN. WATERMAN** asked for more clarification regarding the contingency fund and Taryn Purdy gave an explanation.

**{Tape : 2; Side : B; Approx. Time Counter : 800}**

**SEN. KEENAN** recognized **SEN. COBB** who asked if the Martz underlying assumptions were the same as the **Racicot** proposal. **Mr. Schenck** stated that just the percentage was changed from the **Racicot** budget except that the **Martz** proposal exempted employee insurance. **Dir. Chuck Swysgood** spoke to the issue of exemptions. **{Tape : 2; Side : B; Approx. Time Counter : 849}**

**Motion:** **SEN. ZOOK** moved **TO ADOPT THE 4% VACANCY SAVINGS RATE AND UNDERLYING ASSUMPTIONS ACCORDING TO THE MARTZ PROPOSAL.**

**REP. JAYNE** asked why about the rationale of choosing 4% over 3%. **Mr. Schenck** asked for **Dir. Swysgood** to clarify the average savings of agencies. **SEN. JERGESON** asked about the insurance exemption and then made an amendment to the motion to except the Martz proposal with the **Racicot** insurance maneuver. **SEN. ZOOK** asked if that amendment would increase or decrease the amount of savings and **Mr. Schenck** answered that it would decrease because of the exception. A roll call vote was taken.

**Vote:** Motion--**AMENDMENT TO ACCEPT THE MARTZ PROPOSAL WITH THE RACICOT INSURANCE MANEUVER.** Failed with **SEN. CHRISTIAENS,**

**JERGESON, McCARTHY, NELSON, SHEA, TESTER AND WATERMAN and REP. BUZZAS, CALLAHAN, JAYNE, KAKUFMANN and LINDEEN voting yes.**

**Vote: Motion TO ADOPT THE 4% VACANCY SAVINGS RATE AND UNDERLYING ASSUMPTIONS ACCORDING TO THE MARTZ PROPOSAL passed with SEN. JERGESON and SEN. WATERMAN voting nay.**

### **5. Fixed Costs**

Fixed costs include such items as audit, payroll, capitol grounds maintenance, rent, and computer network and data processing charges. Fixed costs are established by setting a rate and all agencies are charged that rate. The **LFC** Recommendation is that subcommittees consistently apply fixed costs in budgets as included by the executive budget request. Adjustments to fixed cost rates shall be determined by the subcommittee that establishes the rate.

**Motion/Vote: Motion TO APPROVE THE RECOMMENDATION OF THE LFC CONCERNING FIXED COSTS passed with a voice vote with SEN. COBB and REP. McCANN voting nay.**

### **6. Inflation**

The recommendation was to establish approved inflation rates by individual object of expenditure and apply those rates consistently amongst all subcommittees. The vote would be to apply the rate globally and establish the rate. **SEN. KEENAN** then introduced **Rod Sundsted** from the **Commissioner of Higher Education Office** to talk about concerns regarding inflation.

**Mr. Sundsted** presented information reflecting that the inflation issue is very critical to the university system. The area of largest concern is utilities. Actual expenditures exceeded what was in the budget. The impact is almost \$1,800,000 taken from other existing budgets to pay utility bills. This is a not only a short term problem but a problem in the years ahead with severe budget shortfalls.

**EXHIBIT (fcs02a06)**

**EXHIBIT (fcs02a07)**

Another area affected by inflation is library acquisitions. The University System is not looking for a windfall, and would support a line item in the budget for utilities.

**SEN. KEENAN** recognized **SEN. COBB**.

**{Tape : 3; Side : A; Approx. Time Counter : 198}**

Discussion was held regarding whether other agencies would have the same problems and that similar numbers could probably be interpolated across the board. **SEN. KEENAN** commented on the fact that such adjustments would be considered in all of the

subcommittees. **SEN. WATERMAN** was in favor of adopting a global rate but thought more information was needed. **SEN. KEENAN** agreed saying that a best estimate must be made as a baseline. **Dir. Swysgood** indicated that there had not been enough information to recommend what the number should be. As more information becomes available in the process, the number can be adjusted. **REP. VICK** asked about a time frame. **Dir. Swysgood** answered that rates are fluctuating continually and more research is needed. **REP. VICK** asked for an explanation of percentages projected. **SEN. KEENAN** explained that the first year base is 18% and the second year 10%. **SEN. WATERMAN** asked if the 18% is just playing catch-up. She inquired about the current situation. **Dir. Swysgood** addressed her concerns.

*{Tape : 3; Side : A; Approx. Time Counter : 248}*

**Mr. Schenck** advised considering the recommendation of the **LFC** ignoring inflation rates but agreeing on whether to adopt global rates or not and then after that decide what to adopt as rates. He recommended adopting global rates and that those be the executive rates as they are right now as a place holder. Then decisions can be made down the line whether to change these rates.

**Motion/Vope:** MOTION BY **SEN. WATERMAN** TO ADOPT THE GLOBAL RATE IN THE RACICOT BUDGET WITH THE UNDERSTANDING THAT IT MIGHT BE CHANGED LATER passed unanimously.

#### **7. Proposals Requiring Legislation**

The **LFC** Recommendation is to make no amendments to HB 2 until required legislation passes. This means that most of the bills that have fiscal notes won't get consideration until conference committee. This provides for a consistent application and affects the general fund status sheet. It will get very confusing without consistent application. **SEN. WATERMAN** questioned whether if a bill passed both houses it would be included. **Mr. Schenck** said it does not mean it would be included, but would be considered and an amendment can be presented for inclusion. **SEN. SHEA** asked what the downside would be to legislation that was late going through the process. **Mr. Schenck** acknowledged that it could be a problem but if you have a bill with a fiscal note that hasn't passed at the time of conference committee then contingency language would have to be put in for those few exceptions.

**Motion:** **SEN. WATERMAN** - MOTION TO MAKE NO RECOMMENDATIONS OR ADJUSTMENTS TO HB 2 UNTIL REQUIRED LEGISLATION PASSES AND IF THE LEGISLATION PASSES AND IS SIGNED BY THE GOVERNOR IT IS INCLUDED IN HB 2. She stated that if bill passes both houses and is



signed by the governor that it is not appropriate for four individuals on midnight on the 90<sup>th</sup> day to decide that they will not fund something that the majority have agreed to do. **REP. VICK** asked at what level it be funded--exactly as the fiscal note says or what if there is some variation on how much money the program requires. **SEN. WATERMAN** said that those were handled through the fiscal notes and as the bills go through you adjust it up or down, but whatever passes needs to be included. Normally the fiscal note is accepted. So unless there is a change in the fiscal note, it is funded at the level that was set. **REP. VICK** saw a problem in that there is only so much money and that this motion puts a priority for bills that were passed individually over appropriations that were in HB 2. **SEN. WATERMAN** said it puts it on the same level as anything else in HB 2. **SEN. VICK** still thought it would cause problems. **Mr. Schenck** raised the issue that it would take some sort of a vote to put it in HB 2. **SEN. WATERMAN** clarified that there have been instances where a bill had passed and had been signed by the governor where there was no consideration by the conference committee so essentially four people killed the bill. They would at least have to vote on it. **SEN. ZOOK** thought it would put undue consideration on the conference committee. All kinds of cat and dog bills pass with large and small amounts. In order to make things balance, all bills can't be funded. The conference committee report comes back on the floor of both house and senate and can be rejected at that point and force the conference committee to reconsider. He felt it would be a mistake to include the language suggested by **SEN. WATERMAN**. **SEN. NELSON** felt that it would not help if the bills would be funded at such a minute level that the bill would be negated anyway. **SEN. JERGESON** commented that sometimes bills are passed without considering how they will be funded, passing the responsibility to the conference committee and that more attention should be paid to the fiscal notes.

**Vote:** Motion by **SEN. WATERMAN** failed 5-13 in the Senate with **Cobb, Shea, and Waterman** voting aye. Motion failed 5-13 in the House with **Buzzas, Lindeen, Brueggeman, Kaufman** and **Tropila** voting aye.

**Vote:** Motion by **REP. VICK TO ACCEPT THE LFC RECOMMENDATION ON NO. 7.** Motion passed 18-1 with **SEN. SHEA** voting nay.

#### **8. Disposition of "Negative" New Proposals**

Subcommittees should be directed to include negative new proposals in the present law line item in the budget, as opposed to a separate negative line item appropriation.

**Motion/Vote:** SEN. CRISMORE moved that **MOVED THE LFC RECOMMENDATION BE ADOPTED. Motion passed unanimously** with a voice vote.

**Mr. Schenck** said that by their action on the vacancy savings, the level adopted is different than that in statewide present law. If the initial motion is made to adopt the base plus statewide present law, it will leave out the 1.2%, so without objection, the revised vacancy savings level will now be included in statewide present law and that the motion would be adjusted slightly and copies would be provided to all the subcommittees as their example.

*{Tape : 3; Side : B; Approx. Time Counter : 671}*

**SEN. KEENAN** then introduced one final agenda item. **REP. VICK** and **SEN. KEENAN** have put together a subcommittee on information technology. Two people have been taken from each subcommittee who will be meeting and looking into information technology for the next two weeks. **Greg DeWitt** will staff the subcommittee. On the house side of the committee will be **VICE-CHAIRMAN REP. McCANN, REP. BERGUM, FISHER, HAINES, LEWIS, AND LINDEEN, SEN. ZOOK,**. On the senate side, the chairman will be **SEN. COBB,** along with **SEN. JERGESON, JOHNSON, NELSON, and TESTER.**

*{Tape : 3; Side : B; Approx. Time Counter : 680}*

**Greg Dewitt** then gave some background on the technology issue. The boilerplate language of HB 2 last session directed the Office of Budget and Program Planning to present a unified computer budget summary, which the subcommittee will deal with. It also directed an interim study assigned to the **LFC** that included long and short term issues (that will be dealt with in this session). There is a bill, SB 131, that will be carried by **SEN. TAYLOR** that will address the long term issues and will modify governance. The subcommittee will provide direction to the budget office.

**ADJOURNMENT**

Adjournment: 11:20 A.M.

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SEN. BOB KEENAN, Chairman

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PRUDENCE GILDROY, Secretary

BK/PG

**EXHIBIT** (fcs02aad)